

1922---A Glimpse Into the Outlook for Trade and Finance

Baruch Says Boom Would Follow Indemnity Solution

"Good Times" Here and World Prosperity Depend on Fixing Reparations, He Declares

By Bernard M. Baruch

THE crux of the world's industrial, commercial and financial problems lies in the fixing of the reparation that Germany must undertake to pay. This would begin the reconstruction of the old fabric of international trade and finance which the world had slowly built up through the decades, and which had become entangled or broken down as a result of the war.

The 120,000,000 people of the Central Empires constituted a far more important part of the industrial system of the world than was formerly generally recognized. They controlled and operated a large and highly efficient part of the world's merchant marine. They were an important organizing, financing and commercially directing factor in all that vast area that was Russia and in the Balkan states and Turkey. Their merchants had penetrated Great Britain, Italy, Spain, the United States, Mexico, Central and South America, China, Africa, Australia—everywhere. Until these great peoples are brought back to normal, we cannot expect to have a return of what in America we call "good times."

The massed efforts of 110,000,000 people in this country to keep up and improve their present standards of living will result in a large volume of business. But the restoration of our foreign markets and the renewed activities of the white races of Europe, upon which common stock we have spent, will start, in my opinion, an industrial renaissance such as the world has never seen.

Just think in the last eight years how much building has been restricted, how commerce has been throttled, how the upbuilding of the railroads and the development of the mines and other natural resources have been held back. We have scarcely scratched the resources of our own country as yet, and there are limitless fields in foreign lands for our enterprise and our capital. The world is ours in a wealth-making sense if we but take the opportunity which presents itself.

It is encouraging to note that the present Administration, already too long delayed, commences to see the great interest America has in the settlement of the German reparation. No one could be so helpful as the American government. If that is done, I look for a long period of constructive effort in the world, with resultant profits to those who undertake it.

But any judgment of the future must be affected by the American government's action in the most important matter. A delayed settlement means lessened markets for our surplus products and a smaller volume of business.

Britain Confident, Says Withers

Rise in Sterling Has Firm Basis, He Asserts, in Improved Trade and Lower Production Costs; Hindered by Continental Chaos

By Hartley Withers LONDON.

LOOKING back over the last year and trying to peer into the midst of the future with regard to the position of England and her Continental neighbors, one is able to record satisfactory achievement and a fairly hopeful prospect for the former, while for the latter the record is one largely of continued demoralization, which one can only hope has now come to a point at which the statesmen concerned will take the necessary steps to stop it if they can. As an indication of what has happened in the last twelve months rates of foreign exchange are perhaps as fair a test as can be applied.

Even in this case we have to be cautious because we know that speculation now plays so great a part in the market for exchange that the rates quoted are far less an indication of the facts of the economic position than of the views taken by speculative buyers and sellers in all of the countries of the world concerning the values of the currencies of the nations. If, however, we adopt this test we find that the price of sterling has risen, and that the price of the pound has improved, and that the cost of production has been reduced to a point at which she is now able to face international competition in the markets of the world, that her working classes have lately shown a clearer appreciation of the facts of her economic position and see that she cannot live except by efficient production, and finally that, after some very undisciplined shilly-shallying on the part of her rulers, she has made a definite beginning in meeting the service of her debt to the United States.

remains that however hopeful may be the internal conditions of England rapid recovery and prosperity are impossible for her so long as economic chaos continues to reign on the Continent of Europe. This also is clearly recognized by the new government, one of the first acts of which was to disavow the unfortunate note drawn up by Lord Balfour, in which it was intimated that England could not consider any concessions to her in the matter of debts as long as America expected her to pay what she owed. This apparently logical but actually very unfair argument practically meant there could be no reconsideration of the reparations total until the United States had consented to the reduction or cancellation of England's debt to the United States, because it is known that France may perhaps be willing to consent to reduce her claims upon Germany, but only if England is prepared to reduce or cancel France's debt to her.

In view of the much more remote interest that America had in the issue of the war it was evidently quite fallacious to suggest that the debts of the Allies to her stood on anything like the same relation as their mutual debts to one another, and it is all to the good that the disavowal of the Balfour note has made it possible for negotiations to be resumed, as they are being resumed at the time of writing, between the Allies for a reconsideration of the reparations problem and of inter-allied debts.

It need not be said that the failure to settle these questions has been the chief cause of the demoralization which has proceeded during the last year in Europe and is significantly reflected by rates of exchange. Sterling has struggled up, as shown above, to the extent of 12½ per cent, but the South will come up for adjustment from time to time, but the downward movement of the general body of wages seems to have been arrested.

Prices—being almost entirely the sum total of wages, including the wages of management distribution and capital—have likewise stopped their downward course and a new normal basis in wages and prices seems to be in process of formation.

These processes have produced a status where business is on a basis of

sex Motors combine in new company.

May

8—Seymour L. Cromwell re-elected president of the New York Stock Exchange.

11—Lackawanna Steel Company absorbed by Bethlehem Steel Company. Merger plans of six other independents continued.

18—United States on eve of great prosperity. Harding tells Chamber of Commerce of United States.

24—Court refuses to modify New England rate order on application of forty-four roads.

29—Supreme Court modifies Reading decision in favor of preferred stockholders; holds Southern Pacific ownership of Central Pacific unlawful. Lamont and De la Huerta ready to begin conference on Mexican debt.

June

7—Official terms of Midvale-Republic-Inland Steel merger announced; inquiry ordered.

9—Bank of America and Atlantic National to consolidate.

13—Clearing House banks cut interest rates on deposits by reclassification.

15—Bank of England reduces discount rate from 4 to 3½ per cent.

16—Amortization of Mexico's external debt agreed on as solution of financial problem.

19—Bank of New York to merge with New York Life Insurance and Trust Company.

21—Federal Reserve Bank cuts discount rate to 4 per cent. Mexican Petroleum statement shows earnings largest in history.

July

1—Four hundred thousand railway shipmen strike.

3—Cotton jumps almost 50¢ a bale as government forecast drops to 11,065,000 bales.

6—Conference on future development of Mexican oil fields ends without final agreement.

11—Reparations Commission cuts Germany's July 15 payment from \$6,000,000 to \$2,000,000 gold marks.

13—Bank of England cuts discount rate to 3 per cent.

17—Harding orders coal mines reopened. French reported to favor reparations cut if England will cancel debt.

20—France grants short moratorium as Germany accepts financial control.

21—Allan A. Ryan fails; liabilities, \$32,435,477; \$27,808,984 secured.

25—Mellon calls \$1,000,000,000 Victory notes for redemption in December.

27—Argentina asks bid here on \$165,000,000 loan.

28—London council holds Grand Trunk stock worthless.

29—Reichsbank increases rate from 5 to 6 per cent.

31—Studebaker directors put common stock on \$10 dividend basis.

August

1—Cotton advances \$9 a bale on government crop report.

2—Guaranty Trust Company buys control of Stutz Motor Car Company at sale of Ryan securities.

3—Federal Reserve ratio reached new high peak at 79.2.

9—New bank formed to take over assets of the Mercantile Bank of the Americas.

11—R. H. Macy & Co. decides to offer shares in the company to public for the first time.

17—Bethlehem Steel announces that reorganization plan for Lackawanna merger gives full voting power to holders of common.

24—American Telephone and Telegraph announces plan to offer \$115,000,000 stock to shareholders.

30—Strikes force Chicago & Alton into receivership.

31—Interborough announces it will pay interest on notes.

September

1—Government reduces cotton crop estimates by 874,000 bales.

2—Anthracite coal strike settled.

4—Crisinger announces resources of National banks increased \$29,000,000 in June.

6—Unofficial plans for revamping capitalization of Gulf Oil announced.

14—United States Steel Corporation advances price on steel rails \$3 a ton to \$43.

16—Directors decide to liquidate Consolidated Steel, export representative of independents.

18—Bethlehem-Lackawanna Steel merger ratified.

20—Bank of New York and New York Life Insurance and Trust Company formally merged.

21—Reichsbank raises discount rate to 8 per cent.

28—Proposed merger of Midvale, Republic and Inland Steel companies abandoned because of difficulty of financing in face of Federal Trade Commission's opposition.

October

2—American Bankers' Convention begins here.

6—Government cotton crop report reduces estimated yield by 440,000 bales.

6—Standard Oil of New York announces plan for 200 per cent stock dividend.

8—United States calls for \$500,000,000 25-30-year loan at 4½ per cent.

9—Investment bankers open convention at Del Monte, Calif.

10—National Biscuit Company directors vote 75 per cent stock dividend.

11—Standard Oil of New Jersey directors vote 400 per cent stock dividend. Trustees buy in Interborough stock.

13—Southern Railway directors vote to resume dividends on preferred stock.

17—Vacuum Oil directors propose 300 per cent stock dividend.

18—Ohio Oil proposes 500 per cent stock dividend.

19—Lloyd George resigns; Bonar Law to head new Cabinet.

23—Mexican Petroleum "melon" puts stock on \$25 basis. Basis of exchange for "Pan Pete" announced.

25—Pennsylvania Railroad restores 6 per cent annual dividend rate.

26—Irving National Bank and Columbia Trust Company plan merger. Lire at low for year, 3.33½.

29—King of Italy calls Mussolini, Fascist leader, to form Cabinet.

30—Studebaker reports earnings equivalent to 77.18 a share on common in third quarter.

31—United States Steel reports deficit after dividends of \$1,330,602 for third quarter.

November

8—France at low for year, 6.17; also marks, at 114-109 of a cent.

10—E. I. du Pont de Nemours & Co. plan a 50 per cent stock dividend.

14—Consolidated Gas Company's proposed change in capital structure involves selling \$40,000,000 stock.

15—Plan \$1,000,000,000 packing merger.

16—General Motors resumes dividends on common by declaration of 50 cents a share. Bonar Law wins majority of 69 for British Premiership.

17—Involuntary bankruptcy petition filed against Manhattan Piggy Wiggly Corporation, of which James W. Elliott is president.

18—James W. Elliott's Business Builders, Inc., is subject of involuntary bankruptcy petition.

21—Seymour L. Cromwell, president of New York Stock Exchange, suggests that corporations be required to make sworn financial statements before issuing securities, to protect investors.

22—Economists at Academy of Political Science meeting predict serious agitation for cheap money in near future.

24—Bethlehem and Midvale directors

Nineteen Twenty-three Will Bring Heightened Prosperity for the Fit

By Merryle Stanley Rukeyser

DURING 1922 the volume of United States trade with Europe shrank to the lowest since pre-war times. Industries, such as the copper trade, built and developed on the assumption of a large foreign trade, especially to Europe, cannot fail to feel the effect of the weakened purchasing power abroad. And the repercussions of specially affected industries in the long run are felt by all trades.

The impulse for prosperity in 1923 will come from the enormous home market of this nation, which is the greatest reservoir of gold, raw materials and massed productivity in the world. The prospects for the first half of the year are more clearly favorable than for the second. The course of events after the midyear depends to a large degree of the moderation of price advances earlier, and upon the ability of enterprisers correctly to assess the significance of temporary shortages and passing spurts of demand.

Men of business are indisposed to envisage the future in grandiose terms. Their overenthusiasm, like credit, has been deflated since 1920. They are inclined to think weeks and days ahead instead of months and years. They buy cautiously, and the fact that the shelves of the nation's business are not overstocked constitutes a favorable factor in the outlook.

Apart from the possibilities of adverse legislation and the European situation, the factors are favorable. The business cycle has not yet attained its final phase of intensified prosperity. At the worst, the near outlook is for steadiness in trade. At best, if Europe can free itself from the worries and the artificial restraints caused by the lack of a workable reparation and inter-allied debt policy, the world may be on the edge of a great period of productivity and of prodigious forward movement. Outside the clouds of present difficulties are almost endless possibilities for economic progress in harnessing the newest discoveries of the machine age to the purposes of peace and social betterment.

There is further foundation for confidence in the abundance of the gold reserves which justify as much credit expansion as legitimate trade requires. The officials of the Federal Reserve System and of the thirty thousand individual banks have their hands on the controller of credit and can markedly accelerate or stem the flow of trade currents. A growing political movement for easy money threatens interference with judgments in the spirit of science, but there is overwhelming proof in the lessons of the past and of present-day Europe of the dangers of unrestricted inflation of currency or of bank loans.

The European economic situation remains on the debit side of the ledger of business welfare. In spite of financial chaos in central Europe, economic activity continues as a living thing. The most hopeful aspect of the Old World's muddle is the fact that virtually all the bad news is out. The nations on whose decisions reparations and inter-allied debt questions will be determined are more ready than at any time since the signing of the armistice to approach the challenging issues in a realistic mood. And yet the gravity of the European situation will not be understated by any candid observer.

Expects Business Improvement, But Less Rapid Than in 1922

By John E. Rovensky

Vice-President National Bank of Commerce in New York

GENERAL business had improved in 1922 at a very satisfactory rate during the first nine months and much more gradually during the last three months of the year. Progress was made in the processes of adjustment of wage and price levels, though much remains to be done along these lines. The banking part of our economic structure continues to function smoothly and efficiently. Money was always available at reasonable rates for worthy purposes. There has been both moderate and stable, far as can be foreseen at present.

Unemployment has largely disappeared and in some lines, particularly common labor, there is a shortage of workmen. The process of adjusting the general wage level downward has apparently reached its end, although it is far above pre-war levels. Doubtless individual inequalities such as the discrepancy between the wage levels of textile workers in the North and the South will come up for adjustment

The Year in Retrospect—A Summary of Significant Events

- January
- 4—General Motors Corporation omits common dividend.
- 5—Earnings of the Federal Reserve Bank here announced for 1921 as \$26,093,832, a reduction of about 60 per cent from 1920. Sterling at 4.17½, low for year.
- 6—Call issued for economic conference in Genoa in March. Representatives of United States, Germany and Russia invited.
- 9—Marks at high for year, 90½-100 of a cent. Draft of Anglo-French Alliance sent to the British Cabinet.
- 12—Premier Briand and French Cabinet resign.
- 18—John McHugh succeeds G. W. McGarrath as president of Mechanics and Metals National Bank.
- 19—Jesse L. Livermore and Lewisohn break over Seneca Copper.
- 23—\$25,000,000 Seino loan offered. Receiver named for Sugarman & Co.
- 24—Bank syndicate lends Cuba \$5,000,000 for a year. Sears, Roebuck & Co. annual report shows Rosenwald gift averted deficit.
- 28—A. Barton Hepburn dies of injuries from Fifth Avenue bus.
- 26—Mercantile Seaboard National merger approved by directors.
- 30—Rio Grande financing plan announced.
- February
- 2—Cotton manufacturers employing 50,000 operators in New England cut wages 20 per cent February 13.
- 8—S. L. Cromwell, resident Stock Exchange, demands reforms in Wall Street drive on bucket-shops.
- 8—Secretary Mellon fixes June 15, 1922, as day for redemption of Victory 3½ per cent notes.
- 9—District Attorney Benton begins investigation of bucket-shops.
- 10—Italian Discount Company reopens. Merger of White Oil and United Gas and Electric nearly completed.
- 16—Bank of England cuts discount rate to 4½ per cent.
- 17—National Bank statement shows improvement in recent months. Export trade four times larger last year than in 1918-14. Department of Commerce announces.
- 23—Republic Steel omits preferred dividend.
- 24—Flotation of 150,000,000-guilder 6 per cent fifty-year loan in this market announced.
- 28—Third Avenue Railway directors order resumption of interest payments on 5 per cent income bonds.
- March
- 2—Chinese \$5,500,000 loan extended to June.
- 4—United States Supreme Court decides New York law fixing rate at 80 cents a thousand is confiscatory. John Doe Inquiry into methods of American Cotton Exchange begins before Magistrate McAdoo. United States declines an invitation to participate in Genoa conference. Secretary Mellon announces new issue of 4½ per cent Treasury notes, for which Victory notes may be exchanged.
- 8—Van Sweringen acquire "Clover Leaf."
- 15—Great Northern directors increase change in dividends to semi-annual basis.
- 16—Crucible Steel directors decide to omit \$1 dividend on common stock. Tide Water Oil also. Magistrate McAdoo finds American Cotton Exchange "bucket-shop."
- 21—United States Steel Corporation earnings drop \$84,304,079, report shows.
- 22—Reparation Commission announces plan for intentional control of German finances in case of moratorium. Northern Pacific directors cut dividend rate from 7 to 5 per cent.
- 24—Four-Power Treaty ratified by Senate, 67 to 27, with "no alliance" reservation.
- 30—Stockholders of the Seaboard National and Mercantile National banks ratify merger.
- April
- 1—Copper mines of porphyry group resume limited operations. Coal strike begins, with 68,000 miners out.
- 6—Agreement reached to reduce rent paid by Interborough Rapid Transit for Manhattan Elevated Lines; receivership averted.
- 7—S. L. Cromwell announces new plan to keep check on operations of Stock Exchange members.
- 13—Bank of England unexpectedly announces reduction in discount rate from 4½ to 4 per cent. Comptroller Craig announces offering of \$45,000,000 long term New York City bonds for April 25.
- 17—France at high for year, 9.37½. Also lire at 5.56½.
- 24—Canada first foreign country to borrow here on 5 per cent basis, getting \$100,000,000 for thirty years.
- 28—New York Central sells Lake Erie & Western to Van Sweringen interests. Hudson and Es-

Grace Sees Steel Trade Holding Gains of 1922

With Removal of Inequalities 1923 Should Show Marked Improvement; Potential Demand Good

By Eugene G. Grace

President, Bethlehem Steel Corporation

THE steel industry will enter the year 1923 with confidence. The condition of the industry during the latter part of 1922 has been what could reasonably be described as normal, taking into consideration the post-war liquidations and adjustments that have so far been made. The improvement attained in 1922 will be maintained during the year provided adjustments already made are not upset. What happens in 1923 is dependent upon holding fast to what has been done. And the removal of other inequalities the new year should show a very marked improvement. Under such conditions the demand for steel should be a capacity.

There can be no question as to the potential demand for steel products. Our railroads require enormous quantities of steel, not alone for replacement of rolling stock and for maintenance of way, but also for increased equipment, extensions and expansion of facilities. In fact, the general capacity of the railroads to handle the normal business offered to them during the last six months is apparent to every one. The vital necessities of our people demand such railroad facilities as to call for the utmost productivity on the part of the steel industry.

The requirements of the automobile industry will run into a large tonnage. There is also an unsatisfied potential demand for very large quantities of steel for building construction. The building shortage is urgent.

The potential requirements of farm implements far exceed the buying in 1922.

Meanwhile the use of steel products for miscellaneous purposes constantly increases, with the result that the requirements for steel in an infinite variety of directions creates an ever increasing occasion for activity upon the part of the industry.

During the last year, though the steel industry has been running at a fair percentage of activity, the net result from the operation have not been such as to afford a guarantee of future health to the industry unless certain conditions can be improved.

There is a distinct shortage of manual labor in this country, a shortage which affects vitally not only the steel industry, but also farming and other industries, and which cannot be met unless there are effected changes in our immigration laws to meet the situation.

Fuel costs continue to remain too high and will require readjustment.

Rail Rates High

The transportation situation has not yet adjusted itself to the needs of the country. Not alone has industry been held back during the last year by the inadequacy of transportation, but the high level of railroad rates is still such as to prevent normal development after the fact of business. Nevertheless, it should be recognized that the railroads themselves are as responsible for the situation as it exists to-day. Yet existing freight rates upon steel and steel products, as well as the 22 materials which go into the manufacture of iron and steel, are as high as to bear down unduly upon the industry and upon those who purchase iron and steel. Fundamentally it is necessary to prosperity not alone to promote the development of the railroads, but at the same time foster the welfare of all industry.

Unwise legislation or legislative interference with the proper and natural operation of business would work irreparable harm to industry and prosperity.

One cannot be blind to the conditions in Europe. The menace there is very serious. Forces, however, are working for recuperation and reconstruction, and it is to be hoped that the undoubted desire of the American government to be helpful if a way to be helpful can be worked out. If the European situation should clarify itself, accompanied by stabilizations of currencies, and which might even lead to all business activity like year.

Gompers Sees No Wage Cuts

By Samuel Gompers

President American Federation of Labor

THE year 1922 has been a year of tremendous struggle and severe trial. It has been a year during which our country has been torn with dissension. During the war it was the proud assertion of the spirit that then dominated our

Republic that after the war we should not go back to the situation and the autocratic practices that had existed prior to the war.

During the year now closing our people have been divided among themselves in a tremendous struggle to determine whether the war-time spirit of progress and freedom could survive. My judgment is that the issue is now sufficiently determined to permit the assertion that it will survive. We are by no means assured that all the good things which we promised ourselves during the war are to materialize, but we are at least assured that the spirit of reaction, which has been seeking a resurrection of the reaction of reaction, has been stopped and that a gratifying measure of progress has been achieved.

There are yet many disheartening manifestations of reaction and in many of our institutions reaction is vigorous if not actually rampant. The good things which we promised ourselves during the war are to materialize, but we are at least assured that the spirit of reaction, which has been seeking a resurrection of the reaction of reaction, has been stopped and that a gratifying measure of progress has been achieved.

In all of this the trade unions are particularly concerned. They cannot avoid being concerned. For this there are many reasons. First, the trade unions are composed of working men and women. The visitations of the reactionary spirit inflict themselves first of all upon those who tell all take their toll first of all from them. The most crushing manifestations of autocracy are no longer in the political world. We find them to-day in the industrial world instead.

Second, the trade unions, being organizations of the working people, must resist any reactionary tendency which affects working people. Therefore, those who favor reactionary measures and ideas must in the nature of things come to grips first of all with the organizations of labor.

Is it now clear that labor knows most intimately the story of the terrible experience of the past year as a life experience? I trust it is.

Let me particularize as to specific measures and proposals.

During the year the tremendous drive of large sized employers to disrupt the trade unions reached its height and began its decline. Employers called this autocratic drive the "open shop" movement. For a time it became a popular people, but it soon became a parent to all thinking persons the moment that organized employers said "open shop" they meant anti-unions shop. The shop closed to union workers. The moment that became understood, failure of the movement was assured.

A great many who have been misled by some extent our present propaganda figures include a number of these propaganda figures who are now out of work.

At the beginning of 1922 there was a good deal of surface popularity for various forms of peonage measures including such measures as the Kansas Industrial Relations Act, which is the proposal of compulsory labor in the mines and on the railroads.

Employers who spent their money lavishly in the so-called "open shop" drive also worked for the success of the compulsory labor measure. If they could but banish the unions, they would have triumphed. It is to be hoped that workers would be compelled by the state to remain at their jobs, but that indeed they would be approaching the perils of a hell of industrial heaven.

It is safe to say that perhaps during the entire first half of 1922 the proposal of the compulsory labor law found the tide turning, and to-day there is about as much chance of success of the compulsory labor law as there is for restoration of chattel slavery.

In these two proposals there was, as labor felt, the heart of the reactionary philosophy. If in these two directions reaction could have succeeded it would have been a triumph. I am sure that requires no bill of details to sustain the contention that in regard to these two important matters the program of reaction has failed. It is to be hoped we should be able to find the evidence